

## Message Text

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11

ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 PA-02 PRS-01 AGR-10 /104 W

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R 050633Z AUG 75

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 5627

UNCLAS BEIRUT 9878

E.O. 11652: N/A

TAGS: ECRP, EFIN, LE

SUBJECT: FINANCE: PARLIAMENT SHIES FROM NEW TAXES

REF: BEIRUT 9878##

SUMMARY: BUDGET STILL NOT PROMULGATED DUE TO PARLIAMENT'S FAILURE TO MUSTER QUORUM TO ADOPT NEW TAXES. EXTRAORDINARY SESSION CALLED FOR ANOTHER TRY. PRESS REPORTS THAT 1976 BUDGET DEFICIT WILL BE LL400 MILLION, IMPLYING MORE NEW TAXES OR HEAVY BORROWING IF TRUE. END SUMMARY.

1. IN THE LAST DAYS OF ITS REGULAR SESSION ENDING JULY 31, PARLIAMENT TWICE FAILED TO MUSTER A QUORUM TO ADOPT NEW TAXES TO COVER 1975 BUDGET DEFICIT, CAUSING EXTRAORDINARY SESSION TO AUGUST 15. A NEWSPAPER COMMENTED THAT THE DEPUTIES WOULD PREFER TO HAVE THE CABINET IMPOSE NEW TAXES BY DECREE BUT THE CABINET REPORTEDLY CONSIDERS SUCH A PROCEDURE IMPROPER.

2. PROPOSED NEW TAXES AND THEIR ESTIMATED REVENUES IN LL MILLIONS ARE:

A. INCOME TAX INCREASE LL 20

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B. REAL ESTATE CAPITAL GAINS LL 15-20

C. TAX ON PINBALL MACHINES LL 2

D. ANNUAL MOTOR VEHICLE TAX INCREASE LL 12

AT LL 49-54 MILLION THESE WOULD NOT COVER ORIGINALLY-PROJECTED DEFICIT OF LL 140 MILLION BUT PARLIAMENT'S FINANCE COMMITTEE CHAIRMAN HAS SAID ACTUAL DEFICIT WILL BE SMALLER THAN PROJECTED DUE TO LOWER-THAN-EXPECTED FOOD SUBSIDIES AND LOW SPENDING RATE FIRST SEVEN MONTHS OF 1975 UNDER CONTINUING RESOLUTION.

3. PARLIAMENTARY ABSENTEEISM SMACKS OF FIDDLING WHILE LEBANON SMOULDERS BUT WITH ONLY FIVE MONTHS LEFT IN CALENDAR/FISCAL YEAR DEPUTIES MAY VIEW 1975 BUDGET AS RELATIVELY MEANINGLESS AND ESTIMATED DEFICIT AS TECHNICALITY. IF BUDGET PROMULGATED LATE ENOUGH ACTUAL SPENDING UNDER MONTHLY CONTINUING RESOLUTIONS MAY REMAIN WITHIN ACTUAL REVENUES, PERMITTING REVISION OF ESTIMATES AND ELIMINATION LEGAL PROBLEM.

4. CHIEF CASUALTY IS DEVELOPMENT SPENDING. AS WE UNDERSTAND IT NEW PROJECTS CANNOT BE INITIATED UNDER CONTINUING RESOLUTIONS. HOWEVER, DEVELOPMENT SPENDING LAGS FAR BEHIND AUTHORIZATIONS SO DELAY HERE NOT UNUSUAL. CIVIL SERVANT PAY INCREASE TO MATCH 11 PER CENT DECREED THIS YEAR FOR PRIVATE SECTOR (BEIRUT A-37) ALSO A CASUALTY BUT WE UNDERSTAND THIS NOT IN 1975 BUDGET IN ANY CASE. GOVERNMENT WORKERS MAY HAVE TO WAIT UNTIL 1976, WHICH MAY CAUSE PROBLEMS, OR SOME COMPROMISE RETROACTIVE ARRANGEMENT MIGHT BE WORKED OUT.

5. MEANWHILE PRESS REPORTS THAT 1976 BUDGET NOW IN PREPARATION CONTAINS MINIMUM DEFICIT OF LL 400 MILLION. GOL SOURCE TERMS THIS NEWSPAPER SPECULATION. IF TRUE, MORE NEW TAXES OR LARGE-SCALE BORROWING WOULD SEEM TO BE NECESSARY. REGARDING BORROWING, THERE IS A GROWING VIEW IN THE BANKING AND ECONOMIC COMMUNITY THAT THE GOVERNMENT COULD AND SHOULD FLAT A LL 600 - LL 1000  
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MILLION TREASURY BOND ISSUE.  
GODLEY

NOTE BY OC/T: ##REFERENCE IN ERROR.

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NNN

## Message Attributes

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**Current Classification:** UNCLASSIFIED  
**Concepts:** CENTRAL LEGISLATURE, TAXES, BUDGET DEFICITS  
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**Decaption Date:** 01 JAN 1960  
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**TAGS:** ECRP, EFIN, LE  
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